



***“A New Vision for Music Row: Recommendations and  
Strategies to create a Music Row Cultural Industry District”***  
*Report Issued: May, 2016*

**Summary of Recommendations**

**Music Row Investment Trust**

As part of the Music Row Cultural Industry District, a Music Row Investment Trust would have the ability to **acquire property and provide financing for business expansion, building rehabilitation, and real estate development in support of the music industry and related support services.**

The Music Row Investment Trust would be empowered to work in the best interests of music-related and support businesses, associations, institutions, and property owners. All property owners within the designated district can become participants and help to elect a board of their peers. Part of the mission would be to ensure that the Music Row brand is protected and promoted on a local, national and global basis. The brand includes the various music products produced on Music Row as well as the cultural heritage of Music Row as a unique place of universal value. The Trust would operate with some similarities to a Business Improvement District (BID) or a Homeowners Associations (HOA) in that they are self-regulating entities empowered to assist their community and work for the common good of stakeholders.

***Loan Guarantee (“Letter of Credit”) Program***

Overlaid onto the concept of a Music Row Investment Trust would be a State of Tennessee loan guarantee program, which would provide guarantees (“Letter of Credit”) for financing sought by the trust. The concept is to provide a benefit to music-related businesses and associated activities in the form of reduced costs for financing acquisition, rehabilitation, preservation and other functions of the trust. A letter of credit from the State of Tennessee can help mitigate risks for lending within this special district, thereby reducing underwriting costs to lenders which can be passed on to investors like the trust. Lower underwriting costs can help banks discount interest rates by 1.0 to 3.0%. The discounted lending rates offered by a loan pool of private banks, backed through a letter of credit can help small music businesses and property owners gain access to financing for rehabilitation, preservation, expansion, acquisition and other activities. Access to the discounted rates would require that the purpose meet certain requirements by the trust and Metro Government or the State of Tennessee.

**Strategic Planning and Interventions**

The Music Row Cultural Industry District through the Music Row Investment Trust would have responsibility for broad-based strategic planning and for interventions to assist music-related and associated support businesses and property owners. The trust would also assist its members, music-related businesses and property owners with the following interventions:

- **Property acquisition and investment.** In addition to providing a “counter offer” for development of sensitive or historic sites, the trust would also look at strategic acquisition for investment purposes and for generating income to the trust for activities including financing.

- **Enhancing affordability** through rental discounts to music-related businesses. The trust, by acquiring or collaborating with owners of strategic properties, might consider providing spaces at reduced or even market-rate rents for music-related activities that might not otherwise remain on or relocate to Music Row.
- **Music business-related financing**. The trust could provide rehabilitation loans at discounted rates to music-related businesses and property owners for building rehabilitation, restoration, preservation, and expansion. The trust could leverage financing to assist businesses and property owners in rehabilitating their facilities.
- **Music-related development leveraging**. The trust could assist property owners and music-related businesses with projects and programs to strengthen Music Row as a global hub for the music industry, such as development of new recording facilities, film and TV scoring facilities, training or educational facilities and affordable artist housing.
- **Technology development and collaboration**. The trust could provide financial support to the development of new technologies and collaborations between the music industry and technology companies, local universities, and other stakeholders. There are opportunities to strengthen Music Row as an incubator or R&D base for tech innovation relating to music content and distribution.
- **Fundraising and grants (for strengthening amenity value)**. Where there is a need for enhancing the amenity value of the district, such as through physical improvements or by creating public art, affordable housing for musicians, etc., the trust could seek grants or conduct fundraising efforts on behalf of the Music Row community.
- **Marketing and branding**. The trust would work with the Music Council and other partners to market and brand Music Row and Nashville as the hub for the music industry through campaigns that establish Music Row's identity for music in Nashville as equivalent to Broadway for theater in New York and Hollywood for film in Los Angeles.

### **Music Row Historic and Cultural Preservation Fund**

While many financial resources exist for large businesses and housing developments locating in Nashville and constructing large buildings, there are few resources at the local or state level specifically designed to assist smaller cultural businesses operating in historic buildings. This lack of resources necessitates the creation of new strategies and funding to address the desire of the community and stakeholders to ensure Music Row's future while preserving its character and honoring its past.

*The New Vision for Music Row* recommends the establishment of a public-private partnership called the **Music Row Historic and Cultural Preservation Fund**. Elements of this proposed fund include:

- **Music Row Investment Trust** – The fund is intended to operate as part of the responsibilities of the Music Row Investment Trust.
- **Public support** – Metro Government should take a leadership role in supporting programs by providing funding in the form of grants, capital expenditures or seed money to launch the fund. Metro already has several programs with dedicated funding for various purposes; therefore, this recommendation has precedent. (An example is the Blighted Property Grant Program which is administered through Metro's Economic and Community Development Department. An allocation of \$1 million was placed in the fund to provide grants for rehabilitation of blighted properties and to stimulate full-time job creation in redevelopment districts.)

- **Grow the fund with revenues from other public and private sources** – Once the fund is established, additional funds can be obtained from other sources such as Tennessee Historical Commission grants, state appropriations, corporate sponsorships, private foundation grants, donations, and revenue-generating activities.
- **Establish guidelines for fund distribution** – Each program would have detailed guidelines for application, review and award of funds. The availability of grants or loans will be dependent on the amount of available funds each year.

The Historic and Cultural Preservation Fund could support a number of activities including:

- Grants
- Low interest loans
- Demonstration projects
- Preservation easements
- National Register nominations
- Music business financing
- Property acquisition and sale
- Rental discounts for music businesses

### **Tax Benefits and Incentives**

Payment of property taxes, city and state taxes add additional costs for business owners, in some cases making it difficult for businesses to remain on Music Row. Metro Government could consider use of PILOT for small business retention and development, specifically within a special district such as the Music Row Cultural Industry District. By focusing PILOT in a district, Metro can take advantage of the agglomeration effect of concentrated small businesses, which may equal or exceed the economic impacts of leveraging a single large business or real estate investment.

One concept for this program focuses on preservation of properties. When following guidelines for exterior rehabilitation, property owners would receive a waiver or credit for a specified percentage of Local Option Sales Tax paid on construction materials used for rehabilitation. Offering tax benefits for preservation actions can provide a two-fold benefit:

- Mitigating certain taxes can make it more feasible for businesses to continue to operate on Music Row
- Offering tax benefits for preservation actions provides incentives to preserve both the historic built environment and the culture of the music business on Music Row.

A PILOT program could be used to encourage preservation-related actions including:

- **National Register of Historic Places nomination** – The Music Row inventory identifies properties which may be eligible for individual listing on the National Register.
- **Local Historic Landmark nomination** – The Metro Historic Zoning Commission oversees the city's Local Historic Landmark program. Landmark designation creates a historic zoning overlay on an individual property or "campus" of special significance to Nashville's history. Changes to the property's exterior must be approved by the Metro Historic Zoning Commission and must

follow preservation guidelines. Currently most Local Landmarks are properties owned by Metro or the State of Tennessee.

- **Preservation easement** – Preservation easements are a useful tool to ensure that a building will be maintained in perpetuity.
- **Rehabilitation** – Rehabilitation of a historic property may increase its value and correspond to higher property taxes. Those properties which are rehabilitated following preservation guidelines could be considered for a PILOT.
- **Music business expenses** - Another aspect of this program could apply to purchases made by any music-related business within the Music Row Cultural Industry District for the purposes of enhancing or growing their business, such as for equipment, interior renovation (that meets guidelines for rehabilitation), technology infrastructure, and related business investments. (Again, such incentive programs could be extended to other special business districts created in the city.)

#### **Music Business and Economic Development**

Tennessee's Greenbelt Law (Agricultural, Forest and Open Space Land Act) allows for land to be taxed according to its current use (e.g., farmland) rather than what the land may be worth on the open market (fair market value). There may be opportunities to work with the State to extend the Greenbelt Law for preservation of existing buildings and properties in special districts like the Music Row Cultural Industry District.